

**VII. EXCERPT FROM PROPOSED FY 2006
CONSOLIDATED ANNUAL ACTION PLAN**

ACTION PLAN: ONE YEAR USE OF FUNDS

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

I. Program Goals and Objectives

The Louisiana Community Development Block Grant (LCDBG) Program, as its primary objective, provides grants to units of general local government in non-entitlement areas for the development of viable communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. Consistent with this objective, not less than seventy percent of the aggregate of fund expenditures shall be for activities that benefit low and moderate income persons.

Each activity funded must meet one of the following two national objectives:

- A. Principal benefit (at least fifty-one percent) to low/moderate income persons.
- B. Elimination or prevention of slums and blight. In order to justify that the proposed activity meets this objective, the following must be met. An area must be delineated by the grantee which:
 - 1. meets the definition of slums and blight as defined in Act 590 of the 1970 Parish Redevelopment Act, Section Q-8 (See Appendix 2); and
 - 2. contains a substantial number of deteriorating or dilapidated buildings or public improvements throughout the area delineated.

The grantee must describe in the application the area boundaries and the conditions of the area at the time of its designation and how the proposed activity will eliminate the conditions which qualify the area as slums/blight. If an applicant plans to request funds for an activity claiming that the activity addresses the slums/blight objective, the State's Office of Community Development must be contacted for the specific requirements for this determination/qualification prior to application submittal.

To accomplish these national objectives, the State has established the following goals:

- A. strengthen community economic development through the creation of jobs, stimulation of private investment, and community revitalization, principally for low and moderate income persons,
- B. benefit low and moderate income persons,
- C. eliminate or aid in the prevention of slums or blight, or
- D. provide for other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs.

II. General

A. Application Process. This statement sets forth the policies and procedures for the distribution of LCDBG funds. Grants will be awarded to eligible applicants for eligible activities based on a competitive selection process to the extent that funds are available.

The State's Office of Community Development shall establish deadlines for submitting applications and notify all eligible applicants through a direct mailing. The housing and public facilities applications which meet threshold criteria for FY 2006 will be rated and ranked and funded to the extent that FY 2006 LCDBG monies are available. The housing and public facilities applications which are not funded under the FY 2006 program year and which meet threshold criteria for FY 2007 will be rated and ranked and funded to the extent that monies are available under the FY 2007 program year. Only one application for housing or public facilities can be submitted for FY 2006 funds (with the exception noted under II.G.); that same application will be considered for FY 2007 funds. No new applications for housing and public facilities will be accepted under the FY 2006 LCDBG Program. Economic development applications, demonstrated needs applications, and LaSTEP applications requesting FY 2006 LCDBG funds will be accepted on a continual basis within the time frames designated by the State's Office of Community Development.

B. Eligible Applicants. Eligible applicants are units of general local government, that is, municipalities and parishes, excluding the following areas: Alexandria, Baton Rouge, Bossier City, Terrebonne Parish Consolidated Government, Jefferson Parish (including Grand Isle, Gretna, Harahan, Jean Lafitte, and Westwego), Kenner, Lafayette Parish Consolidated Government, Lake Charles, Monroe, New Orleans, Shreveport, Slidell, and Thibodaux. Each eligible applicant may only submit an application(s) on its own behalf.

In general and in most instances, the applicant for a particular project will be determined by (will be synonymous with) the location of the potential beneficiaries of that project. There may be instances, however, in which the potential beneficiaries reside within the jurisdiction of more than one local governing body. In those circumstances, the following specific rules will apply.

1. If the proposed project will serve beneficiaries that reside in two or more units of general local government and more than fifty-one percent of those beneficiaries are located within the jurisdiction of one of those units, the appropriate applicant will usually be the unit of government in which more than fifty-one percent of the beneficiaries reside; two circumstances where an exception to this rule may apply are discussed as follows.

There may be instances whereby a local governing body owns a utility system but the majority of the users reside outside of the local governing body's jurisdiction. There may also be instances whereby a municipality wishes to extend its utility system to an adjacent, unincorporated neighborhood or street; this type of instance will require annexation of the unincorporated area prior to the closeout of the grant. In both of these instances, the local governing body which owns the utility system will be required to meet with the staff in the State's Office of Community Development to determine who the appropriate applicant will be.

Only the applicant, not the other unit(s) of government involved, for this type of project will have to meet the threshold criteria to be eligible for funding. The applicant will have to enter into a cooperation agreement with the other unit(s) of government involved; a copy of the cooperation agreement must be included in the application.

There may be other circumstances similar to the ones described but not specifically defined herein; in those instances, the local governing body proposing the project must also meet with the staff in the State's Office of Community Development for the purpose of determining the appropriate applicant.

2. If the proposed project will serve beneficiaries that reside in more than one unit of general local government and no more than fifty-one percent of the beneficiaries are located within the jurisdiction of one of those units, the Office of Community Development will consider this as a joint or multi-jurisdictional application.

All joint applications will require a meeting with the State's Office of Community Development within the Division of Administration prior to submitting the application. The purpose of that meeting will be to determine the appropriate applicant and to explain all of the steps that must be taken by all units of local government involved in the application. All local governing bodies involved in a joint application must be eligible according to the threshold criteria. The designated applicant (one unit of government) will apply for the grant and act as the representative for the other participating units. Although each jurisdiction will have to make the required certifications, the designated applicant will be responsible for ensuring that the approved activities will be carried out in accordance with all applicable state and federal requirements. To meet the citizen participation requirements for a joint or multi-jurisdictional application, each unit of government involved will have to hold the public hearings and publish the notices required for an application. The application will also have to contain individual sets of assurances signed by each local governing body involved. The designated applicant will also have to enter into a legally binding cooperation agreement with each local governing body stating that all appropriate requirements of the Housing and Community Development Act of 1974, as amended, will be complied with; those specific requirements will be discussed during the pre-application meeting with the State's Office of Community Development. A copy of the cooperation agreement must be included in the application. Each local governing body which is a part of a joint application but is not the designated applicant may submit an application on its own behalf.

C. Eligible Activities. An activity may be assisted in whole or in part with LCDBG funds if the activity is defined as eligible under Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended, and as provided in Appendix 3. While there are many activities eligible for CDBG funds, the federal regulations allow states to determine which of those activities are priorities and to allocate funds for those priorities only. For application purposes, eligible activities are grouped into the program areas of housing, public facilities, economic development, demonstrated needs, and LaSTEP projects.

D. Types of Grants. The Office of Community Development will only accept applications for single purpose grants under the housing, public facilities, economic development, demonstrated needs, and LaSTEP programs. A single purpose grant for housing, public facilities,

demonstrated needs, or LaSTEP provides funds for one primary need (potable water or water for fire protection or sewer or streets or community centers or housing, et cetera) consisting of an activity which may be supported by auxiliary activities. Single purpose economic development applications are for one project, consisting of one or more activities. Examples of auxiliary activities are drainage improvements undertaken in conjunction with street improvements, the acquisition of land upon which a wastewater treatment plant will be constructed, and the installation of service connections for a new water system. While a housing grant may involve both housing rehabilitation and replacement housing which are two activities, it is still considered as a single purpose application because those are merely two mechanisms for addressing the need of housing improvements. An application for water system improvements which requests monies equally to upgrade the water treatment plant (potable water improvements) and to upgrade its water system for fire protection purposes would be considered as a multi-purpose application since the two major activities are not in support of each other and therefore do not address one need; in this example, each activity stands alone. If, however, an application requests funds for a water well which would dually provide additional potable water and additional water for fire fighting purposes, a primary need must be identified so that the application will be considered as a single-purpose application. The Office of Community Development will make the final determination as to the classification of the application.

E. Distribution of Funds. Approximately \$32,508,872 (subject to federal allocation) in federal funds may be available for the FY 2006 LCDBG Program. At this time, this amount cannot be predicted, as the Community Development Block Grant Program could be eliminated, according to the President's budget proposal. Should the program continue it is expected that the State will receive no more than last year's allocation of \$32, 508,872. Using this amount, Figure 1 shows how the total funds will be allocated among the various program categories.

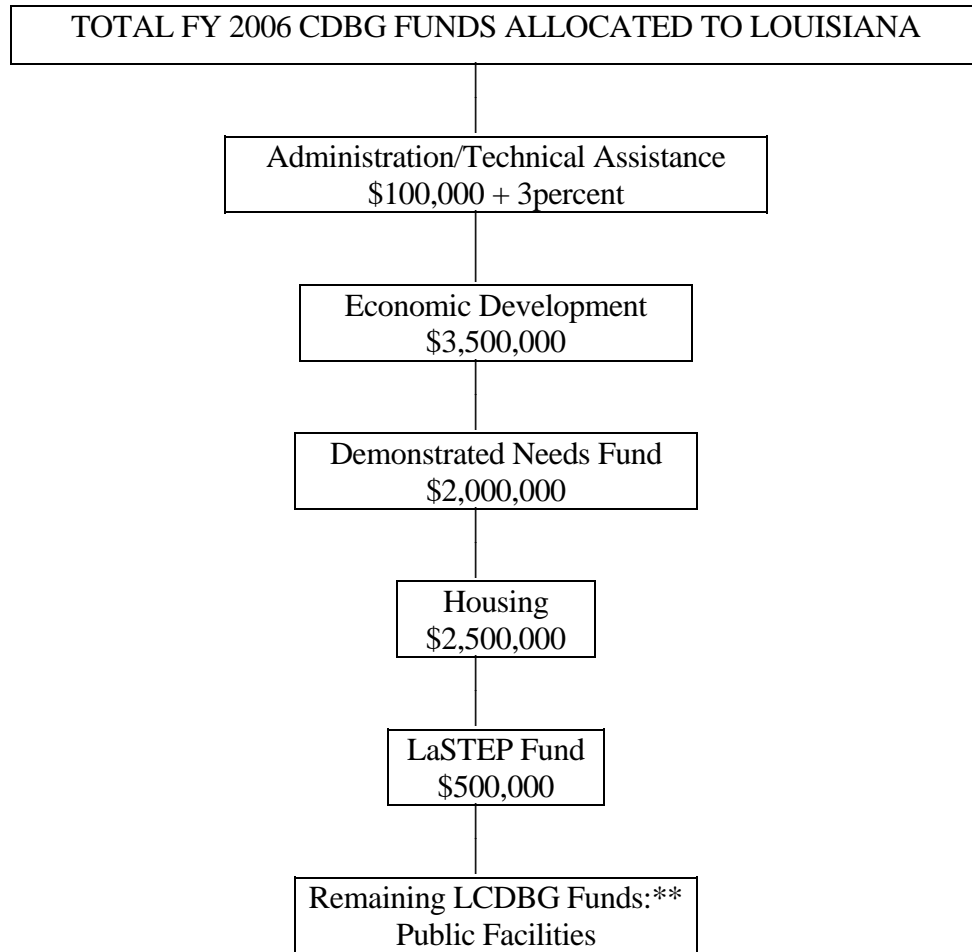
Of the total CDBG funds allocated to the State, up to \$100,000 plus three percent will be used by the Office of Community Development to administer the program and to provide technical assistance.

Since the creation and retention of permanent jobs is critical to the economy of the State of Louisiana, \$3,500,000 will be allocated specifically for economic development type projects.

In addition, \$2,000,000 will be set aside for the Demonstrated Needs Fund, \$2,500,000 will be set aside for housing projects (of which \$100,000 of those funds will be reserved for a pilot accessibility program), and \$500,000 will be set aside for the LaSTEP Fund. Any of the housing, demonstrated needs, and LaSTEP monies which are not utilized/obligated will be transferred to the public facilities program category.

Public facilities applications will be funded with the remaining LCDBG funds. Of the total amount allocated for public facilities projects, \$1.6 million will be set-aside for multi-purpose community centers. If it is determined that none of the applicants for multi-purpose community centers meet threshold requirements or none of the applications meet the program requirements, the funds set-aside for multi-purpose community centers will be transferred for use in the public facilities program category for the current program year. The balance of the public facilities fund will be divided among subcategories; the exact distribution of these funds will be based upon the percentage

FIGURE 1



*Of the total amount allocated for housing projects, \$100,000 will be set aside for one physical accessibility project. The balance will be used to fund other housing activities such as rehabilitation, reconstruction, and demolition.

* *Of the total amount allocated for public facilities projects, \$1.6 million will be set aside for multi-purpose community centers. The balance of the public facilities monies will be divided among subcategories. The percentage distribution among the public facilities program subcategories will be based upon the number/ percentage of applications received and amount requested in each subcategory as established under the FY 2006 LCDBG Program. Half of the funds will be distributed based on the percentage of applications received in each subcategory and half on the basis of amount of funds requested in each subcategory. Subcategories will be established under public facilities based upon the program priorities (new sewer systems primarily involving collection lines and/or new sewer systems involving treatment, rehabilitation of existing sewer systems primarily involving collection lines and/or rehabilitation of existing sewer systems involving treatment, or treatment only, water systems addressing potable water, water systems primarily for fire protection purposes, and streets) and other type projects.

of applications received and amount of funds requested in each subcategory as established under the FY 2006 LCDBG Program. Half of the money will be allocated based on the number of applications received in each subcategory and half based on the amount of funds requested in each subcategory. The subcategories for public facilities will involve the following program priorities: (new sewer systems primarily involving collection lines and/or new sewer systems involving collection and treatment, rehabilitation of existing sewer systems primarily involving collection lines and/or rehabilitation of existing sewer systems involving collection and treatment, or sewer treatment only, water systems addressing potable water, water systems primarily for fire protection purposes, and streets) and other type projects. (The FY 2007 public facilities monies will be distributed among the public facilities subcategories based upon the distribution percentages and methods established under the FY 2006 program). Any monies remaining in the set-aside for physical accessibility and multi-purpose community centers will be distributed to the public facilities program category.

Five months following the beginning date of the State's program year with HUD, the status of the monies originally allocated for economic development will be evaluated. At that time, any monies in excess of half of the original allocation which have not yet been applied for under the economic development category will then be transferred to the current program year's public facilities category to fund additional projects in accordance with the ranking system. Ten months following the beginning date of the State's program year with HUD, all monies not yet applied for which remain in the original allocation for economic development will be transferred to the current program year's public facilities category to continue to fund the highest ranked projects(s) not already funded. In this latter instance, if a determination is made that a particular application for economic development funds will not be funded, the funds reserved for that application will be immediately transferred to the current program year's public facilities category. Should the situation arise, at any time, whereby a fundable application for economic development is received and insufficient funds are available, recaptured funds that have not already been allocated amongst the public facilities priority subcategories or monies from the Economic Development Revolving Loan Fund can be used to fund the project. Any amount taken from the Revolving Loan Fund for infrastructure assistance during one program year will be reimbursed at the beginning of the forthcoming program year; such reimbursement will be taken from the forthcoming program year's economic development allocation. The monies awarded for economic development infrastructure projects for the program year cannot exceed the amount originally allocated for that program year.

F. Size of Grants

1. Ceilings. The State has established a funding ceiling of \$600,000 for housing grants, \$750,000 for sewer treatment grants, \$700,000 for new sewer grants, \$500,000 for sewer rehabilitation grants, \$500,000 for potable water grants, \$400,000 for water for fire protection grants, \$350,000 for street grants, \$225,000 for demonstrated needs grants, \$500,000 for LaSTEP grants, and \$800,000 for multi-purpose community center grants. For demonstrated needs grants, there will be a minimum of \$50,000 in actual construction costs (excluding acquisition and engineering costs). For street grants, a minimum of \$150,000 and a maximum of \$350,000 may be requested. The State has established different and distinct funding ceilings for economic development projects involving the creation of a new business and for economic development projects involving the expansion of an existing business. If the project is requesting funds for the creation of a new business, no more than

\$639,000 may be requested for a loan to the business, a grant to the local governing body for infrastructure improvements, or a combination of the two. If the project is requesting funds for the expansion of an existing business, no more than \$1,039,000 may be requested as a grant for infrastructure to the local governing body for most projects. In the case of a very large project with substantial private investment that is locating in a census designated area with poverty rates of 20 percent or greater, up to one-half of the economic development allocation may be used for infrastructure provided that other funding criteria are met. There is no specific funding ceiling for the loan portion of a project whether alone or in combination with an infrastructure request. The State reserves the right to exercise its discretion in imposing a funding ceiling available per project. Requests for the acquisition, construction or rehabilitation of buildings and improvements (including parking lots) by the local governing body as a grant has a ceiling of \$1,039,000. If these three items are included in a loan request, they are subject to the same loan restrictions listed above.

Within the ceiling amounts and at the discretion of the Office of Community Development, applicants may request funds for the reimbursement of pre-agreement costs (application preparation fees). In order to be eligible for the pre-agreement costs, the following requirements must be met: (1) the application must be funded under the FY 2006 – FY 2007 LCDBG Program years, (2) the LCDBG procurement procedures must have been followed in the procurement of engineering and/or administrative consulting firms, (3) the application preparation tasks and corresponding costs must be identified in a written contract between the firms and the local governing body and (4) the application components (engineering and/or administrative consulting) must have been properly and adequately packaged as determined by the Office of Community Development. Only those local governing bodies which receive grant awards will be eligible for pre-agreement costs. The Office of Community Development has the option of reducing the reimbursable amount requested for pre-agreement costs on funded applications. The amount of the reduction will be determined by the component(s) of the application which is deemed inadequate. This reduction may be assessed to applications which are funded and which are also subject to the penalty procedure described in Section III. E. 2. The specific requirements which must be followed are/will be identified in the FY 2006 - FY 2007 LCDBG Application Packages for housing and public facilities, and in the FY 2006 Application Packages for demonstrated needs, LaSTEP, and economic development. The pre-agreement costs which can be reimbursed with LCDBG funds depend on the type of project funded:

(a) Housing applications - a maximum of \$2,500 will be allowed. Of this amount, a maximum of \$1,000 will be allowed for the packaging of the application and a maximum of \$1,500 will be allowed for household surveying costs only if the administrative consultant assumes that responsibility. A minimum of one on-site visit to the target area will be required of the administrative consultant for pre-agreement costs.

(b) Public facilities, demonstrated needs, and LaSTEP applications - a maximum of \$3,700 will be allowed. Of this amount, a maximum of \$1,500 will be allowed for engineering/architectural services; such services may include the preparation of applicable portions of the project description, the cost estimate, the project severity attachment when applicable, pre-application conferences, et cetera. A maximum of \$2,200 will be allowed for administrative

consulting fees; a maximum of \$1,400 will be allowed for the preparation of all non-engineering forms and the overall packaging of the application and a maximum of \$800 will be allowed for household surveying costs only if the administrative consultant conducts/performs the survey. A minimum of one on-site visit will be required of the engineer/architect and the administrative consultant for pre-agreement costs. No pre-agreement costs for surveying will be reimbursed when census data rather than a household survey is utilized. No pre-agreement costs for surveying will be reimbursed for multi-purpose community centers when limited clientele data is provided by service providers proposing to utilize the center and a household survey is not necessary.

(c) Economic development applications - a maximum of \$4,000 will be allowed. Due to the individual and unique circumstances surrounding each economic development application, prescribed amounts are not made for administrative consulting and engineering services; the breakdown of those fees will have to be negotiated among the local governing body, the administrative consulting firm, and the engineering firm.

Within the ceiling amounts the State also allows applicants to request funds for administrative costs with the following limitations. Each local governing body will be allowed a maximum of \$35,000 in LCDBG funds for administrative costs on public facilities, housing, and economic development projects. In addition to the \$35,000, local governing bodies administering housing projects will be allowed an additional \$3,200 for construction and administration for each housing unit rehabilitated/reconstructed. (The monies allowed for construction administration must be budgeted in the line item entitled "rehabilitation loans and grants.") The local governing body will be allowed a maximum of \$25,000 in LCDBG funds for administrative costs on demonstrated needs projects and \$30,000 for LaSTEP projects. If the local governing body has another open or ongoing LCDBG program (one that has not been issued a conditional or final closeout) or if the demonstrated needs project is subsequently approved as an emergency project, the maximum amount allowed for administrative costs will be reduced to \$20,000. (Refer to Section III.C.6. Demonstrated Needs Fund for additional reductions in administrative costs which may occur under certain circumstances.) In all instances, the local governing body may (but is not required) to retain up to five percent of the funds allowed for program administration to cover its costs of administering the LCDBG Program; such costs on the local governmental level include but are not limited to audit fees, advertising and publication fees, staff time, workshop expenses, et cetera. If, after a project has been funded, the scope of the project changes significantly, the State will make a determination as to the actual amount which will be allowed for administrative costs; this determination will be made on a case-by-case basis.

Engineering and architectural fees may also be requested within the ceiling amounts; the funds allowed by the State will not exceed those established by the Office of Community Development. The Office of Community Development reserves the right to make adjustments to those ranges when deemed necessary. If, after a project has been funded, the scope of the project changes significantly, the State will make a determination as to the actual amount which will be allowed for engineering costs; this determination will be made on a case-by-case basis. An adjustment (reduction) to the amount allowed for basic engineering fees will also be made in those instances where the project plans and specifications were prepared prior to the grant award.

2. Individual Grant Amounts. Grants will be provided in amounts commensurate with the applicant's program. In determining appropriate grant amounts for each application, the State shall consider an applicant's need, proposed activities, and ability to carry out the proposed program.

G. Restrictions on Applying for Grants

1. With the exception of municipalities with a population of more than 25,000 and parishes which have an unincorporated population of more than 25,000, each eligible applicant can apply for one housing or public facilities grant (including multi-purpose community centers) under the FY 2006 LCDBG Program; those applications not funded under the FY 2006 LCDBG Program will be considered for funding under the FY 2007 LCDBG Program. Those municipalities with a population of more than 25,000 and those parishes which have an unincorporated population of more than 25,000 can submit a maximum of two single purpose applications for housing or public facilities with a combined maximum request of \$1.55 million; the individual amounts requested per application could not exceed the funding ceiling amount for that particular type of application as identified in Section II.F.1. (Refer to the additional stipulations in Section II.G.2.) According to 2000 census information obtained from the Louisiana Census Data Center as provided by the U.S. Bureau of the Census, those municipalities and unincorporated parishes with populations in excess of 25,000 include: Acadia Parish, Ascension Parish, Bossier Parish, Caddo Parish, Calcasieu Parish, Iberia Parish, Lafourche Parish, Livingston Parish, City of New Iberia, Ouachita Parish, Plaquemines Parish, Rapides Parish, St. Bernard Parish, St. Charles Parish, St. John the Baptist Parish, St. Landry Parish, St. Martin Parish, St. Tammany Parish, Tangipahoa Parish, Vermilion Parish, Vernon Parish, and Washington Parish.

Any eligible applicant may apply for an economic development project, demonstrated needs grant, accessibility grant or LaSTEP grant under the FY 2006 LCDBG Program, even those applicants previously funded under the housing or public facilities components of the FY 2006 LCDBG program. The number of demonstrated needs grants which an eligible applicant may receive during any program year is limited to one. Municipalities may only be funded for a demonstrated needs project every other program year. Parishes may be funded for one project every program year; however, the sewer, water, or gas system for which it receives demonstrated needs funds can only be funded every other program year under the demonstrated needs program category.

2. Capacity and performance: threshold considerations for grant approval. No grant will be made to an applicant that lacks the capacity to undertake the proposed program. In addition, applicants which have previously participated in the Community Development Block Grant Program must have performed adequately.

In order to be eligible for a housing or public facilities grant award under the FY 2006 LCDBG Program, the following thresholds must have been met:

(a) Units of general local government will not be eligible to receive funding unless past LCDBG programs (FY 1997, FY 1998, FY 1999, FY 2000, FY 2001, FY 2002, FY 2003, FY 2004 and FY 2005) awarded by the State have been conditionally closed-out with the following exceptions.

For recipients of economic development awards under the FY 2002, FY 2003, FY 2004, and FY 2005 LCDBG Programs and for recipients of demonstrated needs awards funded under the FY 2005 LCDBG Program, the State will, at its own discretion on a case-by-case basis, make a determination on the recipient's performance. If the State makes the determination that the recipient has performed adequately, the State may deem that recipient also eligible for FY 2006 funding.

The following stipulations in this paragraph relate to those parishes with an unincorporated population of more than 25,000 and cities with a population of more than 25,000 (identified in Section II. G.1.) which may be applying for funds under the FY 2006 LCDBG program year. If any of these local governing bodies have no open or ongoing housing or public facilities grants awarded prior to the FY 2006 LCDBG program, the local governing body will be eligible to receive two grants under the FY 2006 LCDBG Program. If any of these local governing bodies have one housing or public facilities grant awarded prior to the FY 2006 LCDBG program year which has not been conditionally closed-out, the local governing body will only be eligible to receive one grant under the FY 2006 LCDBG Program; if both applications are in a funding position under the FY 2006 program, then the local governing body may choose which application will be funded. If any of these local governing bodies have two open or ongoing housing and/or public facilities grants awarded prior to the FY 2006 LCDBG program year, the local governing body will not be eligible for any grants under the FY 2006 LCDBG program year.

(b) Audit and monitoring findings made by the State or HUD have been cleared.

(c) All required reports, documents, and/or requested data have been submitted within the timeframes established by the State.

(d) Any funds due to HUD or the State have been repaid or a satisfactory arrangement for repayment of the debt has been made and payments are current.

(e) The unit of general local government cannot be on the list of sanctioned communities which is maintained by the Office of Community Development.

In order to be eligible for a housing or public facilities grant award under the FY 2007 LCDBG Program, the following thresholds must have been met:

(a) Units of general local government will not be eligible to receive funding unless past LCDBG programs (FY 1997, FY 1998, FY 1999, FY 2000, FY 2001, FY 2002, FY 2003, FY 2004, FY 2005, and FY 2006) awarded by the State have been conditionally closed-out with the following exceptions.

For recipients of economic development awards under the FY 2003, FY 2004, and FY 2005, and FY 2006 LCDBG Programs and for recipients of demonstrated needs awards funded under the FY 2006 LCDBG Program, the State will, at its own discretion on a case-by-case basis, make a determination on the recipient's performance. If the State makes the determination that the recipient has performed adequately, the State may deem that recipient also eligible for FY

2007 funding.

The following stipulations in this paragraph relate to those parishes with an unincorporated population of more than 25,000 and cities with a population of more than 25,000 (identified in Section II. G.1.) which may be applying for funds under the FY 2007 LCDBG program year. If any of these local governing bodies have no open or ongoing housing or public facilities grants awarded prior to the FY 2007 LCDBG program, the local governing body will be eligible to receive two grants under the FY 2007 LCDBG Program. If any of these local governing bodies have one housing or public facilities grant awarded prior to the FY 2007 LCDBG program year which has not been conditionally closed-out, the local governing body will only be eligible to receive one grant under the FY 2007 LCDBG Program; if both applications are in a funding position under the FY 2007 program, then the local governing body may choose which application will be funded. If any of these local governing bodies have two open or ongoing housing and/or public facilities grants awarded prior to the FY 2007 LCDBG program year, the local governing body will not be eligible for any grants under the FY 2007 LCDBG program year.

(b) Audit and monitoring findings made by the State or HUD have been cleared.

(c) All required reports, documents, and/or requested data have been submitted within the timeframes established by the State.

(d) Any funds due to HUD or the State have been repaid or a satisfactory arrangement for repayment of the debt has been made and payments are current.

(e) The unit of general local government cannot be on the list of sanctioned communities which is maintained by the Office of Community Development.

For the FY 2006 program year, only those housing and public facilities applications which are submitted by grantees who meet the threshold requirements will be rated and ranked. For the FY 2007 program year, the eligibility status of the housing and public facilities applicants will be re-evaluated; at that time any additional applications that are determined to be eligible for FY 2007 funding will be rated and ranked. If an applicant does not meet the threshold requirements for either program year, its application will not be rated.

The State may announce some FY 2006 and FY 2007 housing and public facilities awards and issue “authorizations to incur costs” for those awards prior to the beginning of the FY 2006 and FY 2007 LCDBG Program years. Those issuances will be contingent upon the applicants meeting threshold requirements and upon the State’s receipt of FY 2006 and FY 2007 LCDBG funds from HUD.

The State is not responsible for notifying applicants as to their performance status.

The capacity and performance thresholds do not apply to applicants for economic development, demonstrated needs or LaSTEP funds with the exception that no award will be made to a previous recipient who owes money to the State unless an arrangement for repayment of the debt has been made and payments are current or to a local governing body on the sanction list.

The threshold requirements for FY 2006 funding will not apply to the recipients of the FY 2002, FY 2003, FY 2004, and FY 2005 LaSTEP funds or FY 2000 and FY 2002 technology funds based on those grants only. If, however, the recipients of the LaSTEP funds or technology funds have an LCDBG program funded under another program category, that grant must meet the threshold requirements in order for the recipient to be eligible for other funding.

H. Definitions. For the purpose of the LCDBG Program or as used in the regulations, the following terms are defined as:

Auxiliary Activity - a minor activity which directly supports a major activity in one program area (housing, public facilities, economic development, demonstrated needs, LaSTEP, and technology). Note: The State will make the final determination of the validity (soundness) of such auxiliary activities in line with the program intent and funding levels and delete if deemed appropriate.

Division - refers to the Division of Administration, Office of Community Development, which is the administering agency for the LCDBG Program for the State.

Extremely Low Income Persons - are defined as those families and individuals whose incomes do not exceed thirty percent of the area median income; to avoid inconsistencies with other income limits, it is defined as sixty percent of the four person family low-income limit, adjusted for family size.

Low/Moderate Income Persons - are defined as those families and individuals whose incomes do not exceed eighty percent of the median income of the area involved as determined by the U. S. Department of Housing and Urban Development with adjustments for areas with unusually high or low income or housing costs. The area involved has been determined by the U. S. Department of Housing and Urban Development to be the same area as determined for purposes of assistance under Section 8 of the United States Housing Act of 1937. This term encompasses moderate, low, and extremely low income persons.

Low Income Persons - are defined as those families and individuals whose income exceeds thirty percent but does not exceed fifty percent of the median income of the area involved, as determined by the U. S. Department of Housing and Urban Development with adjustments for areas with unusually high or low incomes.

Moderate Income Persons - are defined as those families and individuals whose income exceeds fifty percent but does not exceed eighty percent of the median income of the area involved, as determined by the U. S. Department of Housing and Urban Development with adjustments for smaller and larger families.

Poverty Persons - include those families and individuals who are classified as being above or below the poverty level using the poverty index which reflects the different consumption requirements of families based on their size and composition. The income figures used for the poverty thresholds are based solely on money income and do not reflect non-cash benefit such as food stamps, Medicaid, and public housing. This is the definition established by the U. S.

Department of Commerce for census purposes.

State - refers to the State of Louisiana or the Office of Community Development within the State's Division of Administration which administers the LCDBG Program.

Slums and Blight - as defined as in Act 590 of the 1970 Parish Redevelopment Act, Section Q-8. (See Appendix 2.)

Unit of General Local Government - any municipal or parish government of the State of Louisiana.

III. Method of Selecting Grantees

The State has established selection and rating systems which identify the criteria used in selecting grantees.

A. Data

1. Low/Moderate Income. In order to determine the benefit to low/moderate income persons for a public facility, demonstrated needs, or LaSTEP project, the applicant must utilize census data (if available) and/or conduct a local survey. A local survey must be conducted for housing activities and must involve one hundred percent of the total housing units within the target area. A local survey must also be conducted for street projects.

(a) Census Data. If census data is available for the project area, its low/moderate income data must be utilized for public facilities, (except streets) demonstrated needs, and LaSTEP projects. The U.S. Department of Housing and Urban Development (HUD) has provided the low/moderate income data based on the 2000 Census on its website. The census data can also be obtained from the LCDBG staff in the Office of Community Development in a simpler format. That information is available on a community-wide basis as well as for census tracts, block groups, and logical record numbered areas. The applicant must obtain this information prior to the submittal of the application.

(b) Local Survey. When a project area does not coincide with census tracts, block groups, or logical record numbered areas, an applicant must conduct a local survey or combine census data with a local survey. For instance, if a project area encompasses an entire logical record numbered area, but is larger than the logical record numbered area, (however does not encompass an entire block group), the applicant would utilize the census data for the logical record numbered area, and conduct a survey of the additional areas which are outside of the logical record numbered area and combine the data. The survey sheet in the appropriate application package (for the type of project for which funds are requested) must be used. Survey data must also be tabulated and submitted on the forms provided in the appropriate application package; survey data submitted on forms other than those provided in the appropriate application packages will not be accepted. Local surveys must identify the number and composition of low/moderate income persons as well as the number and composition of moderate, low and extremely low income persons.

Local surveys which were conducted for the FY 2004 – FY 2005 funding cycle may be used/resubmitted for no more than two funding cycles for certain public facilities applications (potable water, water for fire protection, wastewater, and multi-purpose community centers) and for no more than four program years for demonstrated needs and LaSTEP applications if the following two requirements are met. 1) Surveys originally conducted for the FY 2004 and FY 2005 program years (for the current target area or portion thereof) must have included information for the correct random numbered residential structures as provided by the Office of Community Development. If the target area boundaries have been expanded from the previously surveyed target area, a current survey of the expanded portion of the target area must also be conducted, using the correct random numbers for the expanded area. Combined, the previously conducted survey and the current additional survey must account for all residential structures in the total target area. Or, the applicant may choose to re-number all residential structures in the entire target area, and conduct a new survey (also, the applicant could utilize data from the FY 2004-FY 2005 survey if the same addresses from both surveys coincide with required random numbers). If the target area boundaries are smaller than the previously surveyed area, the surveys of the residences no longer in the target area can be removed from the previous survey, or, the applicant may choose to re-number all residential structures in the smaller target area and conduct a new survey. 2) The data gathered for each survey must conform to the requirements of the program year for which funds were originally requested.

Local surveys must be conducted for housing and street applications and must be conducted every two program years or prior to the beginning of each two year funding cycle. Neither the re-submittal of previously conducted surveys nor the use of census data will be accepted for street and housing applications.

Very specific details pertaining to the conduct of the local surveys and the re-submittal of previously conducted surveys are presented in the FY 2006 – FY 2007 Louisiana Community Development Block Grant Program application packages for housing, public facilities, demonstrated needs, and LaSTEP.

When conducting a local survey, the low and moderate income level for an applicant in a non-metropolitan area will be based on the higher of either eighty percent of the median income of the parish or eighty percent of the median income of the entire non-metropolitan area of the State, adjusted for household size. For example, the FY 2005 median income for non-metropolitan Louisiana is \$39,900; therefore, the non-metropolitan state low/moderate income would amount to \$31,900, the low income limit would be \$19,950, and the extremely low income limit would be \$11,950. The low and moderate income levels for applicants in Metropolitan Statistical Areas (MSAs) will be determined on the basis of the entire MSA. The current annual income limits for moderate, low, and extremely low income persons for each parish are provided by this office, and are available on HUD's website. The current income limits must be used when conducting a local survey. The low/moderate income limits shown represent the higher of either eighty percent of the median income of the parish or eighty percent of the median income of the entire non-metropolitan area of the State. (HUD has rounded all income limits to the nearest \$50 to reduce administrative burden.)

The following sliding scale must be used to determine low/moderate income

based on family size:

<u># OF PERSONS IN HOUSEHOLD</u>	<u>% OF PARISH/MSA* LOW/MOD INCOME LIMIT</u>
1	70
2	80
3	90
4	100
5	108
6	116
7	124
8	132
9	140
10	148

For each person in excess of 10, add an additional eight percent.

*MSA = Metropolitan Statistical Area

When a local survey, rather than census data, is used to determine the low/moderate income benefit and/or low and extremely low income benefit, a random sample which is representative of the population of the entire target area must be taken. The survey methodology and procedures which must be followed when conducting a local survey are explained in detail in the FY 2006 - FY 2007 LCDBG Application Packages for housing, public facilities, demonstrated needs, and LaSTEP.

B. Program Objectives. Each activity must address one of the two national objectives previously identified under Section I. Program Goals and Objectives.

C. Rating Systems. All applications submitted for housing, public facilities, economic development, demonstrated needs, and LaSTEP projects will be rated according to the following criteria established for each program category.

Only those housing and public facilities applications that meet the FY 2006 threshold requirements will be rated/ranked against all similar activities in the appropriate program category/subcategory for the FY 2006 program.

1. Housing (Maximum of 70 Points)

All housing activities which are funded under the LCDBG Program must be consistent with the State's Consolidated Plan (formerly referred to as the Comprehensive Housing Affordability Strategy [CHAS]), as required in the Cranston-Gonzalez National Affordable Housing Act.

All units which will be rehabilitated or reconstructed must be occupied by low/moderate income persons. Proof of ownership for owner occupied substandard units targeted for housing assistance must have been verified by the applicant through the local Clerk of Court's

office or another method approved by the State prior to the submittal of the application; proofs of ownership must have been submitted with the application. Rental units are ineligible for rehabilitation or reconstruction purposes under the LCDBG Program.

The number of housing target areas may not exceed two. In delineating the target areas, it must be kept in mind that the boundaries must be coincident with visually recognized boundaries such as streets, streams, canals, et cetera; property lines cannot be used unless they are also coincident with visually recognized boundaries. Contact the housing staff in the Office of Community Development for assistance if you are unable to define a target area which coincides with those boundaries (e.g. one long, continuous street with no visually recognizable boundaries). All houses rehabilitated within the FEMA one hundred year floodplain must comply with the community's adopted flood damage prevention ordinance, where applicable.

Mobile homes and modular housing units are now eligible to be replaced with a stick-built home under the LCDBG Program. However, the rehabilitation of mobile homes and modular housing units is prohibited. All housing units (including mobile homes and modular housing units) located in the target area at the time of survey must have been surveyed. Mobile homes and modular housing units located on a rented lot/land will be defined as rental regardless of the ownership status of the housing unit itself.

Spot rehabilitation is eligible with prior written approval from the State's Office of Community Development within the target area. Spot rehabilitation can commence once the grantee has completed rehabilitation, reconstruction and demolition activities on **all** housing units in the grantee's original application for funding. Any remaining LCDBG funds may be utilized for spot rehabilitation in the following order:

- (1) Roof replacement or repairs
- (2) Central heat and A/C installation
- (3) Electrical
- (4) Plumbing
- (5) Accessibility

Housing units which receive spot rehabilitation do not have to meet Section 8 Housing Quality Standards.

Adjudicated homes within the target area will qualify for rehabilitation/reconstruction under the LCDBG Program and will be counted as owner occupied housing. The terms for the transfer of ownership to a low income family will be predicated on a ten year forgiven loan basis.

(a) Program Impact (Maximum Possible Points - 15)

This will be determined by dividing the total number of owner occupied units (including adjudicated units, mobile homes, and modular housing units) to be rehabilitated and/or reconstructed plus vacant units to be demolished in the target area by the total number of owner occupied substandard units (including adjudicated units, mobile homes, and modular housing units) in need of rehabilitation and/or reconstruction plus vacant units in need of demolition in the target area.

number of owner occupied units to be
rehabilitated and reconstructed plus
number of vacant units to be
demolished inside the target area = Raw Score
number of owner occupied substandard
units including those in need of demolition
and reconstruction plus number of vacant units
in need of demolition inside the target area

The raw scores will be arrayed and the top ranked applicant(s) will receive 15 points. All other applicants will receive points based on how they score relative to that high score:

$$\text{Program Impact Points} = \frac{\text{applicant's score}}{\text{highest score}} \times 15$$

(b) Needs Assessment (Maximum Possible Points-25)

This will be determined by comparing the total number of owner occupied and vacant units to be treated in the target area (including adjudicated units, mobile homes, and modular housing units) to the overall needs of the target area (including adjudicated units, mobile homes, and modular housing units).

number of owner occupied and vacant
units to be treated in target area = Raw Score
number of units in need of treatment
in target area

The raw scores will be arrayed and the top ranked applicant(s) will receive 25 points.

$$\text{Needs Assessment Points} = \frac{\text{applicant's score}}{\text{highest score}} \times 25$$

No project will be funded that meets less than seventy-five percent of the identified need.

(c) Cost Effectiveness (Maximum Possible Points-25)

This will be determined by the following formula:

$$\text{CE Points} = (\text{Rehabilitation Cost \%} \times \text{Rehabilitation \%} \times 25) + (\text{Reconstruction Cost \%} \times \text{Reconstruction \%} \times 25)$$

Both rehabilitation and reconstruction cost percentages will be determined by comparing the lowest average cost proposed in each activity to each applicant's average cost in each activity. Rehabilitation and reconstruction percentages will be determined by the number of units in each activity that the individual applicant applies for.

For example purposes only, consider that the lowest average rehabilitation cost in all housing applications received was \$15,000 and the lowest average reconstruction cost was \$45,000. The following cost effective points would be allocated:

Town A proposes to rehabilitate one house for \$18,000 and reconstruct nine houses at an average cost of \$46,500 each. Town A would receive 23.857 points for cost effectiveness based on the following:

$$[(\$15,000 \div \$18,000 = 83.333 \text{ Rehabilitation Cost } \%) \times (1 \div 10 = 10.000 \text{ Rehabilitation } \%) \times 25 = 2.083 \text{ Rehabilitation Points}] + [(\$45,000 \div \$46,500 = 96.774 \text{ Reconstruction Cost } \%) \times (9 \div 10 = 90.000 \text{ Reconstruction } \%) \times 25 = 21.774 \text{ Reconstruction Points}] = \underline{\underline{23.857 \text{ Cost Effective Points.}}}$$

Town B proposes to reconstruct eleven houses at an average cost of \$49,000 each (no rehabilitation). Town B would receive 22.959 points for cost effectiveness based on the following:

$$(\$45,000 \div \$49,000 = 91.837 \text{ Reconstruction Cost } \%) \times (10 \div 10 = 100.00 \text{ Reconstruction } \%) \times 25 = 22.959 \text{ Reconstruction Points} = \underline{\underline{22.959 \text{ Cost Effective Points.}}}$$

Town C proposes to rehabilitate four houses at an average cost of \$15,000 each and reconstruct five houses at an average cost of \$50,000 each. Town C would receive 23.611 points for cost effectiveness based on the following:

$$[(\$15,000 \div \$15,000 = 100.000 \text{ Rehabilitation Cost } \%) \times (4 \div 9 = 44.444 \text{ Rehabilitation } \%) \times 25 = 11.111 \text{ Rehabilitation Points}] + [(\$45,000 \div \$50,000 = 90.000 \text{ Reconstruction Cost } \%) \times (5 \div 9 = 55.555 \text{ Reconstruction } \%) \times 25 = 12.500 \text{ Reconstruction Points}] = \underline{\underline{23.611 \text{ Cost Effective Points.}}}$$

The cost effectiveness points assigned to the FY 2006 housing applications will be based upon those applications which meet the threshold requirements for FY 2006 funding eligibility. The cost effectiveness points assigned to the FY 2007 applications will be based upon only those applications which meet the threshold requirements for FY 2007 funding eligibility. Therefore, the cost effectiveness points assigned to the FY 2006 applications will most likely differ from those points assigned to the FY 2007 applications. When determining the cost effectiveness points for the FY 2007 applications, the applications that were funded during the FY 2006 program year will not be taken into consideration.

(d) Involvement of Auxiliary Entities (Maximum Possible Points - 2)

Applicants that will involve the assistance of other agencies or organizations (such as Community Action Agencies, Green Thumb, Habitat for Humanity, or any volunteer or civic groups) in **the renovation or reconstruction** of housing units in the target area(s) will receive two points. Assistance which will only provide general cleanup of the target area and/or counseling services will not qualify for these points.

(e) Code Enforcement (Maximum Possible Points - 2)

Applicants which specifically identify steps that will be taken through code enforcement to correct problems in the target area that contribute to slum and blight will receive two points; such steps cannot be undertaken with LCDBG funds. The source(s) of funds or resources which will be used to accomplish these code enforcement activities must be included in the application for funding. In order to receive these points the local governing body must have an ongoing code enforcement program and documentation supporting code enforcement activities must be submitted with the application.

(f) Target Area Within a Designated Renewal Community (Maximum Possible Points - 1)

If the applicant's housing target area(s) is located within the boundaries of a federally designated Renewal Community, that application will receive one point. Documentation that applicant's target area(s) falls within the designated area must be included in the application. In order to receive this point, the entire target area or areas must fall within the boundaries of the designated Renewal Community.

Tie Breaker

In the event two or more applications receive the same score, the following criteria will be used to determine the ranking order of those applications. The applications with the same score will be ranked according to the highest numbers of elderly heads of households who will benefit from the housing project. In the event of a second tie, the applications will be ranked according to the highest numbers of handicapped persons in the households to be treated. In the event of a third tie, the applications will be ranked according to the highest numbers of female heads of households benefiting from the housing project.

2. Housing Rehabilitation – Physical Accessibility (Maximum of 23 Points)

\$100,000 will be set aside to fund one grant in a pilot program designed to make structural improvements to remove physical barriers that restrict mobility and accessibility of low-to-moderate elderly and disabled persons. One application will be funded in FY 2006.

All units which will be rehabilitated or reconstructed must be occupied by low-to-moderate income persons. Both owner-occupied and rental single-family housing units are eligible and potential applicants are encouraged to supplement these funds with local or other funds. Funds expended on rental units require a 50% dollar match from the landlord, and every renter-occupied residence receiving assistance under this program must be made available and affordable for occupancy by low-to-moderate income citizens for a period of ten (10) years. The applicant will be responsible for tracking availability and affordability of these units for this period.

The following criteria will be utilized in rating these applications.

(a) Cost Effectiveness (Maximum Possible Points - 10)

Cost estimates per person benefiting will be carefully evaluated. The cost per person benefiting will be calculated for each application requesting funding for an accessibility project. The lowest cost per person benefiting will be determined among the applications and that applicant will receive 10 points. Each applicant will then be scored relative to the lowest cost per person. The following formula will be used to determine the cost effectiveness points for each applicant:

$$CE \text{ Points} = \frac{\text{Lowest Cost per Person Benefiting}}{\text{Applicant Cost per Person Benefiting}} \times 10$$

(b) Program Impact (Maximum Possible Points - 10)

Cost estimates per housing unit will be carefully evaluated. The cost per housing unit benefiting will be calculated for each application requesting funding for an accessibility project. The lowest cost per housing unit benefiting will be determined among the applications and that applicant will receive 10 points. Each applicant will then be scored relative to the lowest cost per housing unit. The following formula will be used to determine the program impact points for each applicant:

$$CE \text{ Points} = \frac{\text{Lowest Cost per Housing Unit Benefiting}}{\text{Applicant Cost per Housing Unit Benefiting}} \times 10$$

(c) Involvement of Auxiliary Entities (Maximum Possible Points - 1)

Applicants that will involve the assistance of other agencies or organizations (such as Community Action Agencies, Green Thumb, Habitat for Humanity, or any volunteer or civic groups) in the actual accessibility modifications of housing units in the project will receive one point. To be eligible for this point, this assistance must lower the costs of the program. Assistance which will only provide general cleanup of the target area and/or counseling services will not qualify for this point.

(d) Target Area Within a Designated Renewal Community (Maximum Possible Points – 1)

If the applicant's target area is located within the boundaries of a federally designated Renewal Community, that application will receive one point. Documentation that the applicant's target area falls within the designated area must be included in the application. In order to receive this point, the entire target area must fall within the boundaries of the designated Renewal Community.

(e) Administrative Costs (Maximum Possible Points -1)

Those applicants that agree to pay all of the administrative costs associated with the implementation of the LCDBG program will receive one point. Such costs will include, but will not be limited to, application preparation fees, audit fees, advertising and publication fees, local staff

time, workshop expenses, administrative consultant fees, et cetera. If the applicant plans to utilize the services of an administrative consultant, local funds must be pledged and allocated for such services. While the LCDBG Program will allow a maximum of \$20,000 for an administrative consultant's fees, the actual cost may be less than this amount and will be determined through negotiation during the procurement process. To substantiate that the local governing body will pay the administrative costs associated with the LCDBG Program, a certification of such signed by the chief elected official must be included in the application as well as a copy of the resolution by the local governing body identifying the firm hired and the proposed amount of the contract. That resolution must state that local funds will be used to pay the administrative consultant fees and any other administrative costs incurred by the local governing body.

If the local governing body maintains full-time permanent staff for the sole or partial purpose of administering LCDBG or other federal programs, such staff must have proved its capacity to administer LCDBG or other federal programs through previous program administration. In this instance, the one bonus point will also be assigned.

The following requirement will apply to those applicants which receive the point for paying administrative costs and are successful in receiving a grant. If such grantees have an under-run in their project costs, the grantee will not be allowed to re-budget those monies for the purpose of reimbursing the local governing body for any administrative costs associated with the LCDBG Program.

Tie Breaker

In the event two or more applications receive the same score, the percentage of low/moderate income persons identified in the designated target area for each application will be determined based upon 2000 census data. The applications will be ranked according to the highest percentage of low/moderate income persons benefiting.

3. Public Facilities - Water, Sewer, Streets (Maximum of 65 Points)

For the purpose of ranking public facilities projects, subcategories will be established (new sewer systems primarily involving collection lines, rehabilitation of existing sewer systems primarily involving collection lines, sewer systems primarily involving treatment, water systems addressing potable water, water systems primarily for fire protection, streets, and other).

Potable water and sewer projects will be rated on a 65 point system, street projects will be rated on a 15 point system, fire protection projects will be rated on a 45 point system, and multi-purpose community centers will be rated on a 38 point system. Project severity will not be rated for street projects or multi-purpose community centers.

Any water or sewer project that is funded must completely remedy existing conditions that violate a state or federal standard established to protect public health and safety.

According to federal regulations, the general rule is that any expense associated with

repairing, operating or maintaining public facilities and services is ineligible. Examples of maintenance and repair activities for which LCDBG funds may not be used are the filling of pot holes in streets or the cleaning of drainage ditches/systems. LCDBG funds may be used only to reconstruct previously paved streets or to pave streets which have never been paved. Overlaying streets is not an eligible expense with LCDBG funds.

Drainage improvements may be undertaken in conjunction with street improvements projects. Drainage improvements, for the most part, must parallel streets that are proposed for improvements under the LCDBG program. The cleaning of drainage ditches is considered as a maintenance activity for which LCDBG funds cannot be used. The amount of funds which will be used to address drainage improvements will be taken into consideration when determining the average cost per person (cost effectiveness) for street projects.

Both parishes and municipalities are limited to two target areas for street projects. The local governing body must improve all streets within the target area(s) that qualify for improvements under the LCDBG programs. In delineating the target areas, it must be kept in mind that the boundaries must be coincident with visually recognized boundaries such as streets, streams, canals, et cetera; property lines cannot be used unless they are also coincident with visually recognized boundaries. Gerrymandering will not be accepted.

Each application will be classified as including a project that benefits a target area/areas or that provides benefits on a community-wide basis. To be considered as a community-wide project under the LCDBG Program, at least thirty-five percent of the total construction cost (including contingencies) must be utilized for a community-wide activity. If a project has one or more community-wide activities but the construction cost of that activity or activities is less than thirty-five percent of the total construction cost, the project will be classified as primarily involving a target area/areas. (The cost estimate in the application must clearly separate and distinguish between the community-wide and target area activities.) Those applications which propose activities serving a target area or areas (an area smaller than the jurisdiction of the local governing body) will also be classified as a target area.

An application can be classified in the subcategory of new sewer systems primarily involving collection if a minimum of 70% of construction costs are for the new sewer improvements. In this subcategory, only 30% of construction costs can be used for rehabilitation of an existing sewer collection system. If less than 70% of construction costs are for construction of a new sewer collection system, or sewer line extensions, the application will be rated under the rehabilitation of existing sewer systems primarily involving collection lines subcategory.

Specific standards/requirements that must be met for sewer, water and street projects are discussed in detail in the FY 2006 - FY 2007 LCDBG Application Package for public facilities.

(a) Percent of Benefit to Low/Moderate Income Persons (Maximum Possible Points

- 1)

For those applications that are classified as community-wide, for rating purposes and reporting purposes the beneficiaries of the project will be considered as all of the persons living

within the boundaries of the local governing body and/or those persons served by the utility system. For those applications that involve only target areas, (except streets), for rating purposes and reporting purposes the beneficiaries of the project will be considered as those persons residing within the boundaries of the target area or areas. For those applications which involve both target area activities and community-wide activities but which do not meet the LCDBG definition of community-wide, the target area data will be used for rating purposes and the community-wide data will be used for reporting purposes. Regardless of the application classification, projects which involve different beneficiaries for different activities must specifically identify the beneficiary data for each activity.

For street projects, all streets within the target area that require reconstruction must be served, however, beneficiaries for street projects will only be those residents whose EMS/911 address is identified as being on one of the streets designated for reconstruction.

The engineer for the project must certify as to whom he/she feels the beneficiaries will be for each proposed activity. The Office of Community Development will make the final determination in that matter.

The percentage of low/moderate income persons benefiting will be calculated by dividing the number of low/moderate income persons benefiting (as defined by the State) by the total persons benefiting. Only those applications in which the percentage of low/moderate income persons benefiting is at least fifty-one percent are eligible for funding.

One point will be assigned to those applications/projects where the percentage of low/moderate income persons benefiting is sixty percent or more. No point will be assigned for applications/projects benefiting less than sixty percent low/moderate income persons.

(b) Cost Effectiveness (Maximum Possible Points - 10)

The cost per person benefiting will be carefully evaluated and will be calculated for each project. All applications will be categorized by the type of project being proposed (new sewer systems primarily for collection, rehabilitation of sewer systems primarily for collection, sewer treatment, potable water, water for fire protection, streets, and other). Each project category will then be split into two population groups. The split for each project category will be based on the average value of the total persons benefiting per project which will be computed by dividing the sum of the total persons benefiting (after eliminating the highest and the lowest number of beneficiaries for each category for the calculation) by the number of applications for that category (after eliminating the two applications in each category with the highest and the lowest number of beneficiaries for the calculation). One group will consist of projects having a larger number of total

persons benefiting than the average value; the second group will consist of those projects having a smaller number of total persons benefiting than the average value. (If the total number of persons benefiting from any project equals the average value, that project will be placed in the second or smaller group.) The project in each group having the best cost effectiveness (cost per person) will be given ten points and the remaining projects will be prorated. The population groups will NOT be combined for each category. They will remain separate, thus creating twelve separate sub-category

pots of funding. This allows those projects benefiting many people and those benefiting fewer people to be rated and ranked against other projects benefiting a similar number of persons.

The following formula will be used to determine the cost effectiveness points for each applicant in each grouping:

$$CE\ Points = \frac{Lowest\ Cost\ per\ Person\ Benefiting}{Applicant\ Cost\ per\ Person\ Benefiting} \times 10$$

The cost effectiveness points assigned to the FY 2006 applications will be based upon those applications which meet the threshold requirements for FY 2006 funding eligibility. Therefore, the cost effectiveness points assigned to the FY 2007 applications will most likely differ from those points assigned to the FY 2006 applications. When determining the cost effectiveness points for the FY 2007 applications, the applications that were funded during the FY 2006 program year will not be taken into consideration.

(c) Project Severity (Maximum Possible Points - 50)

This rating factor will not apply to street projects.

This rating will be based upon the severity of existing conditions and the extent of the effect of those existing conditions upon the health and welfare of the community. Priority will be given to wastewater systems and water systems addressing potable water and/or fire protection.

In assigning points for project severity, the following general criteria will be utilized by the Office of Community Development or the cognizant review agency (if applicable) for the type of project proposed.

Water systems primarily for fire protection purposes: source capacity, reliability of supply, amount of storage, extent of hydrant coverage or spacing, water pressure and volume for fire fighting. A comprehensive approach has to be taken for the target area as all factors relating to the remedy of fire protection problems will be assessed. Fire fighting equipment such as trucks will NOT be fundable under the FY 2006 and FY 2007 LCDBG Program.

The following criteria will be used to rate the project severity of water systems which will be used for fire protection purposes. The maximum severity score for fire protection projects is 30.

- The following number of points will be assigned to those communities and parishes based on their current Public Protection Classification. For those parishes which are applying on behalf of a fire protection district, the number of point assigned will be based on the classification of the district or districts which will benefit from the project. If more than one

district and/or community is involved in the proposed project, the number of points assigned will be based upon the average of the Public Protection Classifications.

Class 10 - 10 points
Class 9 - 9 points
Class 8 - 8 points
Class 7 - 7 points
Class 6 - 6 points
Class 5 - 5 points
Class 4 - 4 points
Class 3 - 3 points
Class 2 - 2 points
Class 1 - 1 point

- The following range of points will be used to assign a score based upon the effect of the proposed improvements will have on the Public Protection Classification of the graded area (the jurisdiction for which funds are requested).

The proposed improvements will improve the Public Protection Classification grading. 6-10 points

The proposed improvements will improve the firefighting capabilities but will not change the Public Protection Classification grading. 1-5 points

There will be no improvement in the firefighting capabilities and no change in the Public Protection Classification grading. 0 points

- The following range of points will be used to assign a score based on the extent of the benefit of the proposed project within the graded area.

The proposed project will benefit all of the graded area. 6-10 points

The proposed project will benefit only a portion of the graded area. 1-5 points

The proposed project will not benefit any part of the graded area. 0 points

Wastewater systems and water systems addressing potable water needs: the existence of conditions in violation of those provisions of the State Sanitary Code that most directly

safeguard public health and the adequacy of the proposed improvements to eliminate such conditions. Compliance with federal and state laws and regulations will be taken into consideration. Verification of existing conditions will be provided by DHH and/or DEQ based on records or field investigations. Problems that are generally attributable to a lack of routine maintenance will result in a less favorable evaluation.

The specific details of the existing problems and proposed project must be provided so that the project can be assessed properly. A lower assessment of the project could result due to the submittal of incomplete or inaccurate information; in those instances, the assigned score will not be re-evaluated.

Scores for project severity are generally based upon the proposed actions in the tables below assuming that the proposed actions will completely remedy the existing problem. If an application contains several different actions, each action will be scored and the severity score will be pro-rated accordingly. Generally, scores will begin at the lower part of the range and will increase if evidence is presented that illustrates a more severe existing condition.

Project Severity Criteria for Wastewater Applications

PROPOSED ACTION	POINT RANGE
<i>COLLECTION</i>	
Replace or rehabilitate collection system components.	40-45
<i>TREATMENT</i>	
Replace or upgrade existing treatment facility to meet current capacity requirements.	45-50
Replace or upgrade existing treatment facility to meet future capacity requirements.	35-40
Replace or upgrade existing treatment facility to meet current discharge limits.	45-50
Replace or upgrade existing treatment facility to meet future discharge limits.	35-40
Replace or upgrade various treatment facility components.	40-45
<i>SYSTEM</i>	
New collection system to provide service for un-served areas.	45-50
Back-up power source (major element of proposed improvements)	30-35

Project Severity Criteria for Potable Water Applications

PROPOSED ACTION	POINT RANGE
<i>SOURCE & SUPPLY</i>	
Change source to replace or supplement existing unreliable source.*	45-50
Supplement supply when only one groundwater supply exists.**	45-50
Replace, rehabilitate, or supplement supply when existing supply is not capable of meeting demand requirements.***	40-50
Replace, rehabilitate, or provide supply as a back-up.****	35-40
<i>DISTRIBUTION</i>	
Replace lines due to multiple primary MCL violations.	45-50
Replace undersized lines or replace lines due to leakage or deteriorated condition.	40-45
Replace, rehabilitate, or provide booster pumps because of pressure problems.	45-50
Loop dead end lines.	40-45
Install water meters at service connections.	35-40
<i>STORAGE</i>	
Provide new storage facility when existing storage capacity is not capable of meeting current storage requirements.	45-50
Rehabilitate existing storage facility when existing facility is critical in meeting current storage requirements.	40-45
Replace or upgrade storage facility when minimum storage requirements have been met.	30-35
<i>TREATMENT</i>	
Upgrade treatment facility to meet primary drinking water standards.	45-50
Replace or upgrade disinfection capability.	45-50
Upgrade treatment facility due to increased demand.	45-50
Upgrade treatment facility to meet secondary drinking water standards.	35-40
Upgrade treatment facility to meet future treatment requirements.	35-40
Replace or upgrade various treatment facility components.	40-45
<i>SYSTEM</i>	
Replace or upgrade various system components due to multiple primary MCL violations.	45-50
Upgrade system due to lack of pressure.	45-50
New water system or extension of existing system to un-served areas.	45-50
Replace or rehabilitate various system components.	40-45
Back-up power source (major element of proposed improvements).	30-35

MCL – Maximum Contaminant Level as established by the U.S. Environmental Protection Agency.

* Example: Abandon wells and purchase water from a different system.

****Example:** Construct additional well(s).

*****Example:** Construct additional well(s) or rehabilitate existing well(s). Higher scores will be given when the maximum day demand and the average day demand cannot be met. Lower scores will be given when only one of the demand figures cannot be met.

******Example:** Construct an additional well when demand requirements have been met.

(d) Engineering Costs (Maximum Possible Points - 1)

One point will be assigned to those applicants which agree to pay all of the engineering costs associated with the implementation of the LCDBG program. Such costs include but are not limited to basic design, resident inspection, topographic and/or property surveying, testing, staking, et cetera. Local funds must be pledged and allocated for such services. To substantiate that the local governing body will pay the engineering costs associated with the LCDBG Program, a certification of such signed by the chief elected official must be included in the application as well as a copy of the resolution by the local governing body identifying the firms hired and the proposed amount of the contracts. That resolution must state that local funds will be used to pay the engineering fees and any other engineering costs incurred by the local governing body.

(e) Injection of Other Funds (Maximum Possible Points - 1)

Those applicants that agree to pay 10% of the project construction costs with other funds up to the LCDBG ceiling amount for the appropriate activity will receive one point. These other funds can include local funds, loans, obligated funding from other agencies, etc. The following requirement will apply to those applicants which receive the point for paying the required 10% of project construction costs and are successful in receiving a grant. If such grantees have an under-run in their project costs, the grantee will only have to be responsible for paying 10% of the final project construction costs up to the ceiling amount for the appropriate activity. If such grantees have an over-run in their project costs, the grantee will be responsible for paying the full 10% of the final project costs, up to the ceiling amount for the appropriate activity (plus any amount over the ceiling amount).

(f) Pre-agreement and Administrative Costs (Maximum Possible Points -1)

Those applicants that agree to pay all of the pre-agreement and administrative costs associated with the implementation of the LCDBG program will receive one point. Such costs will include, but will not be limited to, application preparation fees, audit fees, advertising and publication fees, local staff time, workshop expenses, administrative consultant fees, et cetera. If the applicant plans to utilize the services of an administrative consultant, local funds must be pledged and allocated for such services. While the LCDBG Program will allow a maximum of \$3,700 for pre-agreement costs and \$35,000 for an administrative consultant's fees, the actual cost of these services may be less than these amounts and will be determined through negotiation during the procurement process. To substantiate that the local governing body will pay the pre-agreement and administrative costs associated with the LCDBG Program, a certification of such signed by the chief elected official must be included in the application as well as a copy of the resolution by the local governing body identifying the firms hired and the proposed amount of the contracts. That resolution must state that local funds will be used to pay the pre-agreement and administrative

consultant fees and any other administrative costs incurred by the local governing body.

If the local governing body maintains full-time permanent staff for the sole or partial purpose of administering LCDBG or other federal programs, such staff must have proved its capacity to administer LCDBG or other federal programs through previous program administration. In this instance, the point will also be assigned.

The following requirement will apply to those applicants which receive the point for paying pre-agreement and administrative costs and are successful in receiving a grant. If such grantees have an under-run in their project costs, the grantee will not be allowed to re-budget those monies for the purpose of reimbursing the local governing body for any pre-agreement or administrative costs associated with the LCDBG Program.

(g) Target Area within a designated Renewal Community (Maximum Possible Points - 1)

If the applicant's public facilities target area(s) are located within the boundaries of a federally designated Renewal Community, that application will receive one point. Documentation that the applicant's target area(s) falls within the designated area must be included in the application. In order to receive this point, the entire target area or areas must fall within the boundaries of the designated Renewal Community.

Use of Other Funds in Conjunction with LCDBG Funds. Some projects may cost more than can be requested under the LCDBG Program; therefore, the applicant proposes to use other funds in conjunction with the LCDBG funds. Applicants that want to use other funds in conjunction with LCDBG funds must have those funds available and ready to spend. If the other funds involve loans or grants from other state, federal, or private sources, the monies must have already been awarded or be in the bank. To substantiate the immediate availability of the other funds, one of the following items is required: a letter from the local governing body stating the specific source, amount, and location of local cash, a line of credit letter from a financial institution such as a bank stating the amount available as a loan, specific evidence of funds to be received from a tax or bond election that has already passed, or a letter from another funding agency stating that the funds have been awarded and are currently available for expenditure.

If other funds are involved and that applicant is in a position to be funded, the LCDBG staff will contact the applicant prior to a grant award and request positive proof of the current availability of the other funds; if proof cannot be provided within the timeframe allowed by the Office of Community Development (approximately ten calendar days), then the project will not be funded. For example, if applicant number one does not have the other funds available for FY 2006 funding, then that applicant will not be funded under the FY 2006 program. Applicant number one will be reconsidered for funding again under the FY 2007 program (if the application is above the funding line); if the other funds are not available at that time, the applicant will no longer be considered for funding.

Insuring Adequate Financial Maintenance of Existing Water and Sewer Systems.

Recipients of FY 2006 grants providing funds for potable water and sewer assistance for an existing utility must be able to demonstrate, prior to release of funds, that the rate structure and retained earnings are adequate to properly operate and maintain the system once it is in operation. This will be determined by examining the system's current financial statements prepared in accordance with generally accepted accounting principles and financial projections of the completed project. The examination will include the system's cash flow for operating expenses, debt service obligations, income transfers, and provision for future maintenance requirements. Cash flow for future maintenance requirements will be set aside in a restricted assets account. Applicants must provide information on its current and future rate structure which includes volume, price, and number of customers. Expense data will include at a minimum current and projected electrical power requirements, chemical and materials expense, labor costs, and depreciation expense. The decision as to the adequacy of the rate structure shall be determined by the LCDBG staff considering all of the above factors.

4. Public Facilities - Multi-Purpose Community Centers (Maximum of 38 Points)

\$1.6 million will be set aside to construct multi-purpose community centers. The purpose of this activity is to provide a building which will assist local governing bodies in resolving some of their social, educational, human development needs and problems utilizing a comprehensive approach. This approach will centralize activities in one location and impact as many people as possible. Such activities provided at the center may include medical, dental, counseling, educational, recreational, and social services. It is expected that other funds and resources will be used in conjunction with the LCDBG funds.

Funds can be requested for new construction or renovation of a vacant building for use as a multi-purpose community center. Renovations or additions to, or replacement of existing multi-purpose community centers are ineligible.

LCDBG funds cannot be used to purchase equipment and furniture for the building with the exception of built-in kitchen appliances.

Each applicant must present a financial plan identifying the projected amount(s) and sources(s) of revenues, operating expenses, and funds for maintenance. Sources of revenue can be general revenue sources of the local government, dedicated revenue sources of the local government, and/or receipts from events.

In addition, each applicant must submit a letter of commitment from the local governing body indicating its commitment of local funds to pay all the pre-agreement and administrative costs associated with the LCDBG Program. Such costs will include, but will not be limited to, application preparation fees, audit fees, advertising and publication fees, local staff time, workshop expenses, administrative consultant fees, et cetera. If the applicant plans to utilize the services of an administrative consultant, local funds must be pledged and allocated for such services. While the LCDBG Program will allow a maximum of \$3,700 for pre-agreement costs and \$35,000 for an administrative consultant's fees, the actual cost of these services may be less than these amounts and will be determined through negotiation during the procurement process. To

substantiate that the local governing body will pay the pre-agreement and administrative costs associated with the LCDBG Program, a certification of such signed by the chief elected official must be included in the application as well as a copy of the resolution by the local governing body identifying the firms hired and the proposed amount of the contracts. That resolution must state that local funds will be used to pay the pre-agreement and administrative consultant fees and any other administrative costs incurred by the local governing body.

If an application requesting funds for a community center does not meet the intent of the program or does not address the required criteria, the State may deem that application as ineligible for funding.

The following criteria will be rated for these applications.

(a) Percent of Low/Moderate Income Persons (Maximum Possible Points - 1)

Projects consisting of more than one activity which involve different numbers and percentages of beneficiaries for each activity must specifically identify the number and percentages for each activity. For rating purposes, however, the application will be rated based upon the overall total number of persons benefiting.

If the community center will be used for community-wide or target area-wide activities, the total number of persons benefiting and percentages of extremely low, low, and moderate income persons will be determined by the populace within the boundaries of the community or target area. For any proposed community or target area-wide activities, the applicant must use census data and/or conduct a local survey, as discussed in Section III.A.1. No persons who live outside of a twenty mile radius of the proposed community center can be counted as beneficiaries.

The percentage of low/moderate income persons benefiting will be calculated by dividing the number of low/moderate income persons benefiting (as defined by the State) by the total persons benefiting. Only those applications in which the percentage of low/moderate income persons benefiting is at least fifty-one percent are eligible for funding.

One point will be assigned to those applications/projects where the percentage of low/moderate income persons benefiting is sixty percent or more. No point will be assigned for applications/projects benefiting less than sixty percent low/moderate income persons.

(b) Cost Effectiveness (Maximum Possible Points - 10)

Cost estimates per person benefiting will be carefully evaluated. The cost per person benefiting will be calculated for each application requesting a community center. The lowest cost per person benefiting will be determined among the applications. Each applicant will then be scored relative to the lowest cost per person. The following formula will be used to determine the cost effectiveness points for each applicant.

$$CE\ Points = \frac{Lowest\ Cost\ per\ Person\ Benefiting}{Applicant\ Cost\ per\ Person\ Benefiting} \times 10$$

The lowest cost per person for the FY 2006 rating cycle will be based upon only those applications which meet the threshold requirements for FY 2006 funding eligibility. Therefore, the cost effectiveness points assigned to the FY 2007 applications will most likely differ from those points assigned to the FY 2006 applications. When determining the cost effectiveness points for the FY 2007 applications, the applications that were funded under the FY 2006 program will not be taken into consideration.

(c) Utilization – (Maximum Possible Points – 20)

The applicant must identify the types of activities, and service providers that will be **housed** in the multi-purpose community center. The application must include letters of intent from the service providers. The letters of intent must state the name and purpose of the service provider, a detailed description of the services to be provided, a description of the basic hours during which the services will be provided, clientele data, and any other pertinent information. It is expected that services will be provided at the center on a daily basis. It is also expected that the primary purpose of the services offered will be for public/community uses rather than for **recreational** purposes. Examples of public services include, but are not limited to: child care, health care, job training, education programs, public safety, senior citizen services, services for homeless persons, drug abuse counseling and treatment, welfare services, et cetera.

(i) Frequency of Services (Maximum Possible Points – 10)

Points will be assigned based upon the hours during which services will be provided. Emphasis will be placed on the hours of provision of public services.

(ii) Number of Services (Maximum Possible Points – 10)

The number of services/service providers will be taken into consideration when assigning these points. All recreational activities, regardless of number of service providers, will be categorized as **one service**.

(d) Proximity of Services (Maximum Possible Points – 5)

For each service provider which will be housed in the community center, the applicant has to identify the location at which those services are now provided and identify the distance in mileage from the proposed community center. Those applicants proposing services that are not currently being provided within the proposed target area will score the highest.

For those municipalities which already have a community center or centers but may be requesting funds for another community center, a specific target area for the provision of services at the proposed community center within the boundaries of the corporate limits must be identified.

(e) Architectural Plans and Specifications (Maximum Possible Points - 1)

One point will be assigned to those applicants which agree to pay all of the architectural costs associated with the implementation of the LCDBG program. Such costs include but are not limited to basic design, resident inspection, topographic and/or property surveying, testing, staking, et cetera. Local funds must be pledged and allocated for such services. To substantiate that the local governing body will pay the architectural costs associated with the LCDBG Program, a certification of such signed by the chief elected official must be included in the application as well as a copy of the resolution by the local governing body identifying the firms hired and the proposed amount of the contracts. That resolution must state that local funds will be used to pay the architectural fees and any other architectural costs incurred by the local governing body.

(f) Target Area Within a Designated Renewal Community (Maximum Possible Points – 1)

If the applicant's target area is located within the boundaries of a federally designated Renewal Community, that application will receive one point. Documentation that the applicant's target area falls within the designated areas must be included in the application. In order to receive this point, the entire target area must fall within the boundaries of the designated Renewal Community.

Tie Breaker

In the event two or more applications receive the same score, the following procedure will be followed to determine the ranking order of those applications. The percentage of low/moderate income persons benefiting for the designated target area for each application will be determined based upon 2000 census data. The applications will be ranked according to the highest percentage of low/moderate income persons benefiting.

5. Economic Development

The economic development set aside is to be used to provide financial assistance to individual projects which will result in job creation or retention, in which a majority of the jobs (fifty-one percent) will be offered to persons of low to moderate income. The number of permanent full-time jobs created will influence the types and amounts of funds available.

The LCDBG economic development program provides funds directly to the local unit of government as do the other LCDBG programs. The local unit of government in turn can provide either direct financial assistance to the developer in the form of a loan or indirect assistance in the form of infrastructure improvements on property owned by the local unit of government.

The term “developer” means the corporate entity as well as the individual investors, stockholders, and owners of a for-profit business on behalf of whom the local unit of government is making the application. As an example of the effect of this definition, an LCDBG economic development loan to Company A cannot be used to purchase equipment, land, et cetera from

Company B, when both Company A and Company B are substantially owned by one or more of the same individuals. No grant award will be made to a local governing body for an economic development project which consists of a loan and/or infrastructure improvements in which an elected official or a member of his/her immediate family has a financial interest as the project developer. Requests from non-profit organizations will not qualify for assistance under this section.

As with the other LCDBG programs, a two way agreement (contract) is signed by the State and the local unit of government. In addition to this agreement, a second two-way agreement is signed by the local unit of government and the developer for infrastructure projects. This second agreement is subject to the approval of the State and will include provisions relating to: the expected number of jobs to be created or retained, the sources and uses of all funds to be committed to the project, the financial and other reporting requirements of the developer and the local unit of government. For loan projects, the State, the local unit of government, and the developer all sign a three-way contract. It will include the same provisions as for infrastructure projects and will also include the repayment terms for all funds borrowed and the security assigned to each loan granting institution or agency, and all other obligations of the developer, the local governmental unit and the State.

An application for LCDBG economic development funds may be submitted at any time during the year.

The following six requirements must be met by all economic development applicants:

(a) A pre-application meeting must be held with an authorized representative of the applicant local unit of government, the private developer, and the economic development staff of the Office of Community Development.

(b) A firm financial commitment from the private sector will be required upon submission of the application.

For all economic development projects except loans, the private funds/public funds ratio must not be less than 1:1. Loans will be funded at up to 80 percent of value.

The State must be assured that non-manufacturing projects will have a net job creation impact on the community and not simply redistribute jobs around the community. In addition, certain manufacturing and non-manufacturing projects will not be considered for funding based on past experience and the lack of potential for creating permanent positions. These non-eligible projects will include, but are not limited to, “cut and sew” operations (SIC 23 or NAICS 315) involving the manufacture of clothing/apparel and non-manufacturing operations such as hotels or motels (SIC 701 or NAICS 721).

Additionally, those projects involving “truck stops and related activities” as well as private prison developments and nursing homes will not be considered for funding.

Private funds invested in the project must be in the form of a developer's cash or loan proceeds. Revenues from the sale of bonds may also be counted if the developer is liable under the terms of the bond issue. Previously expended funds will not be counted as private funds for the purpose of this program, nor will private funds include any grants from federal, state or other governmental programs, nor any recaptured funds. The value of land, buildings, equipment, et cetera, already owned by the developer and which will be used in the new or expanded operation, will not be considered as private match.

(c) If cost per job created or retained exceeds \$15,000 for a loan to a developer or \$10,000 for a grant to the local governing body, the application will not be considered for funding. However, in census designated areas with poverty rates of 20 percent or greater these limits may be waived by the director not to exceed HUD requirements.

(d) A minimum of ten jobs created or retained is required for LCDBG economic development assistance.

(e) A minimum of fifty-one percent of the employment will be made available to people who at the time of their employment have a family income that is below the low to moderate income limit for the parish where the development occurs (24 CFR 570.483).

(f) The application must include documentation showing that the project is feasible from the management, marketing, financial, and economic standpoints. Management feasibility relates to the past experience of the developer in managing the type of project described in the application, or other similar managerial experience. Marketing feasibility deals with how well the market for the product has been documented at the application stage, the best case being that the developer has verifiable commitments substantiating the first year's sales projection. A typical market study includes a detailed analysis of competition, the expected geographical sales plan, and letters of intent to buy, specifying quantity and price. Economic feasibility relates to whether or not the developer has realistic projections of revenues and variable costs, such as labor and cost of materials, and whether they are consistent with industry value added comparisons. An assessment will be made of the industry sector performances for the type of industry/business described in the application. Financial feasibility has to do with the ability of the firm to meet all of its financial obligations in the short and long run, determined by a cash flow analysis on the financial history and projections of the business. In analyzing the financial feasibility of a project, the Office of Community Development may suggest alternatives in the timing of expenditures, the amount and proposed use of public and private funds, as well as other financial arrangements proposed in the application.

For an application to be funded, the State must be assured that the project is credit worthy; there is sufficient developer equity; the LCDBG funds will be efficiently and effectively invested; the maximum amount of private and the minimum amount of public funds will be invested in the project; the project will make an adequate return in the form of public benefits commensurate with the money invested; the State and the local community will not assume a disproportionate amount of risk in the project; and the State and the community will receive an adequate security interest proportionate to the LCDBG funds invested in the project.

An allocation of \$500,000 will be set aside for innovative entrepreneurial projects. An application with rating criteria will be provided at a later date. A formal amendment will be made to HUD in include specific rating criteria for this set-aside.

Local governments located within the boundaries of a federally designated Renewal Community will receive priority for economic development funds.

Default: The local governing body shall be ultimately responsible for repayment of the contract funds which were provided by the State.

The State shall look to the local governing body for repayment of all funds disbursed under this contract and default by the developer shall not be considered as just cause for non-payment by the local governing body. In case of a default by the local governing body in the repayment of contract funds to the State in accordance with the terms and conditions of the contract, the full sum remitted to the local governing body shall become due and payable to the State upon demand without the need of putting the local governing body in default.

The State shall deem the local governing body in default, regardless of the fact that the default was precipitated by the developer, to the extent that the local governing body failed to perform its contractual obligations in good faith.

Relocation: Some projects seek to facilitate the relocation of a particular business from an area to another. Recent federal legislation has mandated that LCDBG assistance will not be available to assist directly in the relocation of any industrial or commercial plant, facility, or operation, from one area to another area, if the relocation is likely to result in a significant loss of employment in the labor market area from which the relocation occurs.

Loans and Leases: For projects where the developer is seeking direct assistance in the form of a loan the following considerations shall apply.

The amount available to the local unit of government for a loan to a developer will not exceed \$15,000 per job created or retained. The maximum available to a new business is \$639,000. The maximum available for the expansion of an existing company is not an established dollar limit but is subject to the approval of the Office of Community Development. All loans for economic development purposes will be for no more than 80 percent (80%) of the loan purpose. The developer will be required to provide at least 20% of the cost. If infrastructure is used in combination with a loan request, the infrastructure portion of the project must be matched 1:1.

The State will recapture one hundred percent of the loan repayment of LCDBG economic development loans (program income to the State). Lease payments received as a result of LCDBG funds utilized in the construction, acquisition, or rehabilitation of a building shall be charged at fair market value and shall be considered as program income. If the recipient elects to charge in excess of fair market value rent, the extra portion shall also be considered as program income and will be returned to the State. If LCDBG funds are utilized in conjunction with other funds for such construction, acquisition, or rehabilitation, the pro-rata share of the lease payment will be considered program income and will be remitted to the State. These program income funds

received by the State will be placed in the State's Economic Development Revolving Loan Fund which will be used to supplement funding for economic development loans. These funds will be subject to the federal regulations regarding use of program income. The interest rate charged on the LCDBG economic development loan depends on the financial and cash flow projections of the applicant business. This rate will be determined in the application review.

Personal endorsement from all principals of corporations, partnerships, limited liability companies or sole proprietorships shall be required on the LCDBG loan documents. The principals shall 1) endorse the LCDBG loan to the corporation and 2) guarantee the payment and fulfillment of any obligation of the corporation. These endorsements will be made jointly to the local government and State of Louisiana. Normally, a principal is defined as owning five percent or more of the business.

Infrastructure: For projects where the developer is seeking indirect assistance in the form of infrastructure improvements on **public property**, the following considerations shall apply.

The maximum amount available to the local governing body for an infrastructure or building acquisition, construction, or rehabilitation type project grant is \$10,000 per job created or retained, with a \$1,039,000 limit on any single project including a building and improvements. These limits are inclusive of administrative costs.

Infrastructure economic development grants can be used by the local unit of government to provide sewer, water, and street/road access on public property to the private industrial/business site boundaries. Speculative development projects are prohibited. Economic development funds cannot be used to acquire, construct, or rehabilitate a building or to create a general industrial park project with the hope that a business client will then be attracted. It must be tied to a specific developer creating a specific number of jobs for low to moderate income people (the term "specific developer" herein relates to a single private for-profit business entity that possesses a federal tax identification number.)

When requesting infrastructure to facilitate the location of a business at a particular site, the developer must be able to show that this is appropriate to the needs of the business. The developer must provide sufficient financial and other statements, projections, et cetera to establish that the business is likely to be successful, and will create the appropriate number of jobs at the site in a specified time frame.

Certain assurances by the developer, related to the timing of his development on the site, will be required. Other agreements between the local governing body and the developer/property holder, relative to public rights of way, et cetera will be required as needed on an individual project basis.

For a grant to the local governing body for infrastructure improvements and/or for the acquisition, construction, or rehabilitation of a building and improvements for economic development, the private funds/public funds ratio for grant funds must be a minimum of 1:1.

In those instances where a local governing body has received a grant for the acquisition, construction, or rehabilitation of a building and improvements and the building is sold prior to receiving sufficient lease payment revenues to offset the amount of the grant, the governing body will be responsible to the State for the net unpaid portion of the grant, regardless of the sales price. "Net unpaid portion" shall mean the grant amount, less administration costs and any lease payments previously made to the State. The sales procedure to be followed by the local governing body must be approved in writing by the Office of Community Development prior to the sale.

6. Demonstrated Needs Fund

A \$2.0 million reserve fund will be established to alleviate critical/urgent community needs. The ceiling amount for demonstrated needs projects is \$225,000. All demonstrated needs projects must involve a minimum of \$50,000 in actual construction costs (excluding acquisition and engineering costs). Municipalities are only allowed to be funded for demonstrated needs funds every other program year. Parishes may be funded for one demonstrated needs project every program year; however, the wastewater, water, or gas system for which it is funded can only receive demonstrated needs funding every other program year. For example, if a municipality or particular parish water district received funding under the FY 2006 program for demonstrated needs, that municipality or parish water district would not be eligible to receive funds under the FY 2007 program year.

An application cannot be submitted for consideration under this fund if the same application is currently under consideration for funding under any other LCDBG program category.

Subject to the availability of funds, projects that meet the following criteria will be funded:

(a) General Eligibility

Proposed activities must be eligible under Section 105(a) of the Housing and Community Development Act of 1974, as amended, (see Appendix 3). These funds will primarily be awarded, however, to projects involving improvements to existing water, wastewater, and gas systems. Fire trucks and firefighting equipment and projects for wastewater treatment facilities for which DEQ or EPA have issued compliance orders are not eligible for funding under the demonstrated needs fund. Depending on the circumstances of the situation, routine work such as sewer line or manhole repair/replacement or water line repair/replacement does not meet the intent of the demonstrated needs program.

Each proposed activity must address one of the two national objectives.

(b) Critical/Urgent Need - Project Severity

Each activity must address a critical/urgent need which can be verified by the Office of Community Development as having developed within three months prior to submittal of the application.

The local governments that are interested in applying for these funds should first contact this office to discuss the feasibility of the proposed project. The local government will be requested to submit certain pre-application information, or a pre-application meeting may be conducted, depending on the situation.

If it is determined by this office that the proposed project meets the criteria of the pre-application review, the local government will be invited to submit an application. The application will then be evaluated for possible funding. The evaluation will not be based upon a numerical rating scale system. Keeping in mind the intent of the Demonstrated Needs Program, the Office of Community Development will take into consideration the degree of urgency of the project, the degree of risk, the number of persons affected, and the feasibility of the proposed solution. The applications which are deemed to meet the intent of the program will be funded as far as funds are available for the program year.

If the need for a project, (or parts thereof), applied for in a public facilities application becomes an emergency in nature and is funded under the Demonstrated Needs Program, it is possible that the original public facilities application may be subsequently funded. In this case, the fundable project construction costs of the public facilities application will be reduced based upon the scope of work that was funded under the Demonstrated Needs grant. The fundable administrative costs will be reduced based upon the amount that was funded under the Demonstrated Needs grant.

(c) Application Requirements

All items and forms necessary for a regular public facilities application will also be required for demonstrated needs.

7. LaSTEP Fund

\$500,000 will be set-aside to fund one or more projects under the LaSTEP Fund. These funds will be available for eligible recipients who are willing to solve water and sewer problems through the Small Towns Environmental Program (STEP) self-help techniques. The idea to use self-help as the method to meet a community's water and sewer needs usually begins with the realization that the community cannot afford the needed improvements if they are to be installed completely by construction contractors through the open bidding process. By reducing the project to the absolute essentials and utilizing the community's own resources (human, material, and financial), the project costs can be reduced significantly. Previously funded LaSTEP programs have shown reductions averaging fifty percent. LaSTEP funds can be used to cover materials, engineering, and administration costs.

Proposals for water and sewer improvements will be considered for LaSTEP funding if the following criteria are addressed: (1) the proposed activities can be completed through self-help, (2) the use of self-help methods will result in a significantly reduced project cost (a minimum of forty percent), and (3) the potential applicant is committed and ready to begin and complete the project using self-help. Those local governing bodies which are interested in applying

for LaSTEP funds may contact the Office of Community Development to schedule a pre-application conference; the purpose of the pre-application conference will be to discuss a specific project. If it is felt that the specific project meets the qualifications of the LaSTEP fund, the potential applicant will be invited to submit an application. All applications must include documentation of the project cost savings due to self-help (a comparison of the project costs utilizing self-help to the project costs utilizing conventional construction methods) and documentation of principal benefit to low and moderate income persons. The staff in the Office of Community Development will provide guidance, assistance, and support of community leaders and residents willing to use self-help to solve their water and sewer problems.

D. Submission Requirements

Housing and public facilities applications for FY 2006 – FY 2007 funds must have been submitted to the Office of Community Development on the forms and in accordance with the instructions provided in the FY 2006 - FY 2007 Louisiana Community Development Block Grant application packages for housing and public facilities. Applications for FY 2007 demonstrated needs, LaSTEP, and economic development funds will use the forms and instructions in their respective application packages.

Only that data received by the deadline established for applications will be considered in the selection process unless additional data is specifically requested by the Office of Community Development. Material received after the deadline will not be considered as part of the application unless it was requested by the Office of Community Development – this policy will be strictly enforced.

E. Application Review Procedure

1. The application must be mailed or delivered prior to any deadline dates established by the Office of Community Development. The applicant must obtain a "Certificate of Mailing" from the Post Office certifying the date mailed. The Office of Community Development may require the applicant to submit this Certificate of Mailing to document compliance with the deadline, if necessary.

2. The application submission requirements must be complete. If the Office of Community Development determines during the review of an application that the application did not contain items necessary to accurately rate the application, did not include all required forms, involved a local survey that was not conducted on a random and/or representative basis, or was poorly packaged, a letter detailing the inadequacies of the application will be sent to the local governing body submitting the application. If the next housing or public facilities application submitted by that local governing body is also deemed inadequate, then a point(s) or fraction thereof will be deducted from the overall score assigned to that subsequent application. (This procedure applies to all types of applications including those which may or may not be funded.)

3. The funds requested must not exceed the ceiling amounts established by the Office of Community Development.

4. Review and Notification. Following the review of all demonstrated needs, economic development, and LaSTEP applications, the Office of Community Development will notify the applicant of the actions taken with regard to its application. Following the funding of the FY 2006 housing and public facilities applications, the Office of Community Development will notify those applicants who were unsuccessful in being funded.

5. Criteria for Conditional Approval. The Office of Community Development may make a conditional approval, in which case the grant will be approved, but the obligation and utilization of funds is restricted. The reason for the conditional approval and the actions necessary to remove the condition shall be specified. Failure to satisfy the condition may result in a termination of the grant. Conditional approval may be made:

(a) where local environmental reviews have not yet been completed;

(b) where the requirements regarding the provision of flood or drainage facilities have not yet been satisfied;

(c) to ensure the project can be completed within estimated costs;

(d) to ensure that actual provision of other resources required to complete the proposed activities will be available within a reasonable period of time.

6. Criteria for Disapproval of an Application. The Office of Community Development may disapprove an application for any of the following reasons:

(a) Based on a field review of the applicant's proposal or other information received, it is found that the information was incorrect; the Office of Community Development will exercise administrative discretion in this area.

(b) The Office of Community Development determines that the applicant's description of needs and objectives is plainly inconsistent with facts and data generally available. The data to be considered must be published and accessible to both the applicant and State such as census data, or recent local, area wide, or state comprehensive planning data.

(c) Other resources necessary for the completion of the proposed activity are no longer available or will not be available within a reasonable period of time.

(d) The activities cannot be completed within the estimated costs or resources available to the applicant.

(e) The proposed activity is not eligible for funding or one of the two national objectives is not being met.

(f) The application does not score high enough to be above the funding line.

F. Program Amendments for LCDBG Program

The Office of Community Development may consider amendments if they are necessitated by actions beyond the control of the applicant. Recipients shall request prior approval from the Office of Community Development for all program amendments involving new activities or alteration of existing activities that will change the scope, location, or objectives of the approved activities or beneficiaries.

1. New or altered activities are considered in accordance with the criteria for selection applicable at the time the original application was reviewed and the policy, current at that time, regarding amendments.

2. All amended activities must receive environmental clearance prior to construction.

3. The Office of Community Development will ascertain as to whether or not the proposed activity is an integral part of the originally approved project and is necessary to complete the project as originally approved.

4. The Office of Community Development will also review the site location of the proposed activity in relation to the originally approved target area. If there is a budget under-run and an expansion of the target area is requested, approval of the amendment will be based upon the following circumstances. Such expansions will have to be contiguous to the original target area. The overall project will still have to primarily benefit low and moderate income persons. After making any adjustments to the score of the original application, the revised application will still have to remain above the funding line. The scope and intent of expansion will have to be in keeping with the scope and intent of the originally funded application. The requested amendment cannot merely involve an enhancement of the originally approved project.

IV. Administration

Rule for Policy Determination. In administering the program, while the Office of Community Development is cognizant of the intent of the program, certain unforeseeable circumstances may arise which may require the exercise of administrative discretion. The Office of Community Development reserves the right to exercise this discretion in either interpreting or establishing new policies.

V. Redistribution of Funds

Any monies awarded by the State that are later recaptured by or returned to the State will be reallocated in accordance with the Office of Community Development's policy, then in effect. The sources of these funds may include, but not be limited to, program income, questioned costs, disallowed expenses, recaptured funds from loans, unallocated monies, previously awarded funds not spent by grant recipients, et cetera.

With the following exception and the stipulations identified in Section II.E., the monies as defined above will be placed in the current program year's public facilities category and will be used to fund the project(s) with the highest score in one of the subcategories that was not initially funded. This policy will govern all such monies as defined herein from the FY 1999, FY 2000, FY 2001, FY 2002, FY 2003, FY 2004, FY 2005 and FY 2006 LCDBG Program years as well as subsequent funding cycles, until later amended. One exception is that all funds recaptured by the State from the payback of economic development loans will be placed in an economic development revolving loan fund which will be used to supplement funding for economic development projects. These funds will be subject to the federal regulations regarding use of program income.

All economic development loan repayments must be submitted to the State. Any other program income earned as a result of the LCDBG program will either be retained by the local governing body or submitted to the State. The Office of Community Development must be contacted for instructions regarding income as soon as the local governing body becomes aware of the income or of the possibility that program income will be received.

These regulations are to become effective upon approval of the Annual Action Plan by HUD and are to remain in force until they are amended or rescinded.

